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Increasing Education Attainment: Goals, Metrics and Strategic Finance

Summary of comments by Dennis Jones

Higher education has entered an era of high expectations, few resources, and the demand to make it work. President Obama has stated by 2020 we'll have the highest proportion of college graduates in the world. This is the first time in a long time we have had a national statement on the importance of higher education. To achieve this goal, we'll have to add 150,000 more graduates each year than the year before. This would represent a 35-40 percent funding increase if you presume funding stays the same.

The U.S. is now 10th in the world in the proportion of 25-44-year-olds who have an associate or bachelor's degree. We still have the best educated population overall in the world because of the high levels of education achieved by the baby boom generation. But when they retire, the boomers will take a lot more skill and experience with them than the same generation in Korea or Japan. So the downside of this is much greater for us than in other developed nations.

The U.S. is one of only one of two countries in developing economies where 25-34 year olds are not as well educated as the previous age cohort. This means that we need to increase degree attainment by five percent annually. And in the U.S. we have a huge race/ethnic educational gap between whites/Asians and blacks/Hispanics.

We will need to educate 400,000 Hispanics and blacks to get to proportionality... and a very large proportion of these young folks will be Hispanics, who have the lowest participation and completion rates. The fastest-growing demographic group in our schools – up to 40 percent – are students from under-represented racial/ethnic backgrounds and from low-income families. That's who we are going to have to educate to move blue arrow.

Washington's SMP goals are consistent with national goals, but we need to discuss the fiscal realities of such goals. The U.S. spends the highest percentage of its GDP on higher education of any nation in the world. Other countries get more bang for their buck, however. The economic downturn we find ourselves in is not business as usual... we are used to bad times that bounce back quickly. This is deeper and will return much more slowly. The western states are more front-loaded with stimulus money and there are a whole series of train wrecks coming. One forecaster says optimistically that in 2013 we'll be back to within 4 percent of where we were (in relative state revenue) when this began... more likely this will be 8 percent.

There will be recovery in the economy before there will be recovery in employment and people will have a higher propensity to save (which will further slow recovery). Don't expect a lot of money from your friends in the capital. Lots of other agencies will be waiting in line for funding restoration. And every state has a structural deficit in its economy if you go out 8 years to 2016 based on 2008. Washington's deficit will be about 8 percent.

The funding available in Washington places institutions here in about the middle of the pack. The point is that funding available doesn't make your institutions rich but doesn't make them poor either. The states are faced with task of serving increasing number of students, many more diverse students, to get past enrollments to graduates (more), and to sustain quality in all of this... we are going to have to find ways of using alternative delivery systems that yield high quality... and in a way that maintains affordability... not just to students but to the state.

Summary of comments by Jane Wellman

My short message is that a funding strategy is needed to meet the attainment goal. The attainment goals appear realistic in terms of need when we base the common comparisons with other countries. And we get about the same numbers when we look at labor market needs, replacing baby boomers, and keeping up with greater skill expectations for jobs... about 5 percent a year.

However, the attainment goal that is toughest and most important and to which most of the policy focus needs to be given is improving the pipeline... identifying students early on and preparing them to go to college... it's the most daunting challenge we face. But if we don't get the financing piece stabilized first, it will wipe out all our other efforts.

To talk about rationalizing funding for higher education sounds fanciful, daunting, foolish. However it is incumbent on us to get the strategy ready so that when times turn around we are ready. That moment may not come for a year or two or three, but we will not continue in this downward spiral forever. And the places that get this right will have done the necessary planning. It is very important to note: we aren't going to solve this with state and federal funding. There are too many things on the agenda. And we can't expect tuition to do it alone or institutional cost-cutting to solve the problem. We have to have all of these.

A coordinated agenda requires more self-conscious integration and attention to cost management. Stabilizing state budgets is one of the most important challenges we face. Incremental investment will not work. States did not disinvest in higher education deliberately.

Getting the attainment goals and using these as the strategy for anchoring your funding strategy is one way to approach this.

1. States (and institutions) need to take a hard look at budgeting techniques to see if the money flows out as it should. The technical aspects of how budgets are constructed and aligned with attainment goals need to be worked out.
2. Integrate state, tuition and aid policies.
3. Set expectations for cost reduction and increases in productivity and build accountability systems to monitor performance.
4. To pay for funding increases you will need a minimum of 5 percent a year just for enrollment. If you can get 2.5 percent from state, then some percent to of this is reasonable for institutions to cover. If you don't put it out there as a goal, it's not going to happen.
5. Make cost management decisions as strategic as possible. We are doing it ad hoc at the present. None of a number of strategies we can use are pretty. However, we have to build credibility with public. We have to take seriously showing these costs transparently.
6. Public has oppositional views about many things. There are very strong positives and a belief in investing in higher education. But the public also believes higher education is

becoming unaffordable – tuition is too high, institutions are spending too much – they believe institutions could manage resources better to protect quality and affordability. The idea is that institutions aren't looking hard at how to improve efficiency. Need to have a very public sense of what is being done.

7. Cost management/cost cutting. Most of the thinking about cost management involves how you can cut unit costs on non-academic side of enterprise. Data most institutions have on costs is slim to none. Most places costs have been going up in energy, benefits (pensions), health care share; increases in spending on maintenance.
8. There are also ways to think about cost savings possible through consolidation of academic units. Most of responsibility for this and for making it work has to be left at the institutional level. It doesn't work well for the state to reach past institutions to do this.
9. Productivity is another way to increase the number of students getting degrees more efficiently. About 25 percent of cost of a bachelor's degree can be described as credits in excess of those necessary to achieve the degree. If you can pull a semester off time to degree that will be more productive than tuition increases or anything else.
10. Six-year grad rates are ineffective measurements. Enrolled time is the issue. This benefits throughput and learning productivity. U Wisconsin identified a few areas and thru aggressive advising and course scheduling – across the public four-year institutions they could knock off a semester of credits... they weren't pushing people out. Advising, scheduling and paying attention to numbers.
11. Affordability conversation: tuition increases that are moderate, gradual and predictable are not shown to hurt low-income students. They can be brought back into system if they know what to plan for and if the financial aid process application is not baroque. What is needed are gradual, moderate, predictable increases with plenty of attention to need-bases. Allowing tuition to zig-zag works very much counter to this.
12. Greater on campus work opportunities are needed. Time to degree is a very important part of affordability strategy – help students save time!
13. Reinvestment strategies are needed: strategic reinvestments in the types of things most likely to improve productivity. We need to grow our own innovation. Internal reallocation will be the biggest source of revenue in higher education in the next 20 years.
14. We need to begin planning much more aggressively for faculty planning and faculty turnover... we face the biggest generational faculty turnover in history. This is a very important issue and needs to be at top of agenda in where we are investing.

So to conclude, set short-term attainment goals to anchor agenda. Make sure these are realistic goals. Build a case for strategic reinvestment. Articulate how you will go about it, how you will document it, how you contain costs. Talk about it in a way that is transparent. Productivity has been a dirty word, even when we are achieving it. Productivity is equated with faculty workloads.

We need to broaden the discussion and think strategically about whole issue of productivity. The agenda of increasing ed attainment is possible... it is very do-able. It will require more self-conscious management, which we don't do. There needs to be more strategic alignment between state and institutional interests... a balancing act... commonly held strategies. There is a huge opportunity for state policy to make a difference. This is a state that has always done this very well.

Charlie Bingham, Board member. This was inspiring and motivating. You have taken us along the way of discussing the un-discussable. It seems to me education needs to improve the involvement of the private sector... that the private sector appreciates the role and strength of world-class institutions... and we need to elevate the private sector's confidence in education and to increase the dollars available. In this state... enormously important foundation but it is not clear to me there is the concerted will to do this.

Answer. I'd look first to Texas, where CEOs of biggest companies are very involved in setting the agenda. At K-12 level this same group lobbied a tax increase on businesses as a way of reducing property taxes and getting accountability for K-12 performance.

But the way businesses are most likely to be brought into this involves work study programs. Academic and work integration is an effective way to build employers into the conversation. If you create internships and co-operative education programs, it can change the way you think about financial aid. You begin an internship or cooperative education program funded half and half.

There are also ways to bring them in a more meaningful way into the academic side – put into the workplace part of the instructional mode. If you go to Indiana State Chamber – they are very much the champions of increased educational attainment. Employers can leverage their support for higher education attainment in many different ways: in ads they use to reinforce the level of education needed.

There is an important role for civic community and nonprofits. The data is there to document there is a public benefit from public higher education. People who live every day with the consequences of dropout rates know this. We need more arguments that are evidence-driven about the importance of this conversation. We don't have to get to all the intangibles to make the case.

The debate on higher ed is all about the elite institutions. Yet the great majority are attending rank and file institutions. Get to this side of the story. How do you communicate productivity? This is a story the chancellor of Maryland university system did... we have a growing student body... we have growth we have to accommodate... if state and students will pay for growth, we will pay for our third out of our pockets.

This approach created a level of trust between legislature and higher education institutions and after they proved that they could deliver are now in fourth or fifth year where state is picking up three quarters of the cost. Tuition has not been raised for four years. This is the type of compact unwritten... powerful communication device.

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